

Fall 2016

Cambridge Quarterly NEWSLETTER

A personal finance newsletter presented by Cambridge Credit Counseling

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Options that you might not know
Black Friday or Cyber Monday?
Which days for the best deals*

BRACE YOURSELVES! START WINTERIZING NOW!



CAR:

GET YOUR SNOW TIRES READY, OR CONSIDER BUYING SOME SOON IF YOU HAVEN'T YET. THE COLD CHANGES YOUR PSI, SO CHECK YOUR TIRES OFTEN. ALWAYS KEEP YOUR GAS TANK AT LEAST HALF FULL TO PREVENT GAS LINE FREEZE-UPS. EVEN IF YOU DON'T GET SNOW YOU MIGHT WANT TO CONSIDER GETTING SOME ROUTINE MAINTENANCE DONE TO MAKE SURE YOU'RE NOT HIT WITH ANY UNWANTED EXPENSES DURING THE HOLIDAY SEASON.

STUDENT LOANS: HOW AM I GOING TO PAY THESE?!

If you've been watching the news, you may be aware that outstanding student loan balances had climbed to \$1.2 trillion at the end of last year, surpassing credit card debt and auto loans to become the second-largest form of debt in the country. Student loan debts are only outdone by mortgages. Twenty years ago, roughly half of graduating students left school with about \$10,000 in debt. This year, that debt figure has tripled, to over \$35,000. To pay off a \$35,000 debt through the default 10-year plan, graduates would have to make payments of approximately \$351 a month. For those many recent graduates, who have yet to find a job in their chosen field, that payment may not be possible.. What many of us might not know is that there are several repayment plans designed to help those who want to make payments, but have a hard time fitting them into our budget.

Here are three of those federal student loan repayment options:

1. INCOME DRIVEN REPAYMENT PLANS

Income driven repayment plans, as their names imply, can fluctuate based on the borrower's income. The downside to these plans is that the lower payments can cause the loan balance to skyrocket. There are four types of repayment plans: Revised Pay As You Earn (REPAYE), Pay As You Earn (PAYE), Income-Based Repayment (IBR), and Income-Contingent Repayment (ICR) plans. Each of these plans requires a payment that is based on your discretionary income, and monthly payments can change over time as your income or family size fluctuates. Each plan has different repayment amounts and repayment periods, so consider talking to a counselor before making a commitment. Also note that the government has yet to give any special consideration for people receiving relief under these plans, so the amount discharged may carry considerable tax consequences..

- REPAYE: Any borrower with qualifying federal loans is eligible for this plan. Payment amount is generally 10% of your discretionary income. The loans will be paid off in 20 years if the degree obtained is for undergraduate study, or 25 years if the degree is for graduate or professional study.
- IBR: To qualify for this plan, the payment you would make must be less than what you would pay under a Standard Repayment Plan. If you're a new borrower (on or after July 1, 2014), the payment amount is generally 10% of your discretionary income, but never more than the 10-year Standard Repayment plan, and loans will be paid off in 20 years. If you're not a new borrower the payment amount is generally 15%, but never more than the 10 year Standard Repayment Plan and loans will be paid off in 25 years.
- ICR: Any borrower with qualifying federal loans is eligible for this plan. The payment amount is the lesser of two formulas: either 20% of your discretionary income; or what you would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to your income. The loans will be paid off in 25 years.



Joseph DiCarlo
Certified Credit Counselor

BEING HERE FOR JUST A YEAR, JOEY IS ONE OF OUR NEWEST, CERTIFIED COUNSELORS AND HE'S ALREADY A VALUABLE ASSET TO OUR GROWING TEAM:

"I LOVE WORKING AT CAMBRIDGE, BECAUSE I KNOW THAT WE ARE HELPING TO MAKE A POSITIVE DIFFERENCE IN PEOPLE'S LIVES. OUR PROGRAMS WORK. HEARING THE SATISFACTION IN A CLIENT'S VOICE WHEN THEY ARE DEBT FREE AND EDUCATED ENOUGH TO MOVE FORWARD IN A BETTER PLACE FINANCIALLY IS THE BEST REWARD WE CAN RECEIVE."



HOME:

GET YOUR FURNACE INSPECTED TO SAVE ON ENERGY COSTS, AND WHILE THE HVAC WORKER IS THERE HAVE THEM CHECK AND CLEAN YOUR HEATING DUCTS. YOU COULD BE LOSING 60% OF YOUR HEAT THROUGH THE DUCTS BEFORE IT EVEN GETS TO YOU! TRIM NEARBY TREES, AND CLEAN YOUR GUTTERS; DAMAGE FROM THESE CAN BE COSTLY. WRAP YOUR PIPES TO REDUCE HEAT LOSS AND SAVE ON YOUR GAS BILL.

YOU:

DON'T BE CAUGHT IN THE COLD! YOU MIGHT HAVE THROWN OUT SOME OF YOUR WINTER CLOTHES AFTER THE WEAR AND TEAR OF LAST YEAR, SO MAKE SURE YOU HAVE WHAT YOU NEED TO BE IN THE COLD SAFELY. IF YOUR ZIPPER BROKE ON YOUR COAT, OR YOU WORE A HOLE IN YOUR GLOVES, START SHOPPING NOW TO FIND BETTER DEALS ON WINTER CLOTHING.

2. PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

The PSLF program encourages individuals to seek employment with government and non-profit organizations by offering loan forgiveness after borrowers have made 120 qualifying monthly payments under an eligible repayment plan while working full-time. These 120 payments do not need to be consecutive. Let's break down that definition:

- Loans that qualify for PSLF include any loans received under the William D. Ford Federal Direct Loan (Direct Loan) Program. Loans received under the Federal Family Education Loan Program, or the Federal Perkins Loan programs do not qualify for PSLF, but they could become eligible if they are consolidated into a Direct Consolidation Loan.*
- Government employment could be at any level: federal, state, local, or tribal.
- Non-profit organizations are tax-exempt under Section 501(c)(3) of the internal revenue code.
- Qualifying payments are those made after October 1, 2007, under an eligible repayment plan, for the full amount due on the bill, and no later than 15 days after your due date.
- Full-time work could be the employer's definition of full-time, or at least 30 hours a week, whichever is greater.

**Please note that consolidation will restart the 120-payment clock, so consult with a counselor before considering that option!*

3. IN DEFAULT FEDERAL STUDENT LOAN REHABILITATION

When a loan is 'in default' it means that a borrower has failed to make payments on their student loans within the last 270 days. After the first day a borrower misses a payment, the loan becomes delinquent. The loan stays delinquent until all payments are made to bring the loan current. Delinquencies of at least 90 days are reported to the three major credit bureaus and will affect credit scores. There are two great options for getting the loan out of default: loan consolidation, and loan rehabilitation.

Loan rehabilitation works with Direct Loans and FFEL Program loans. To qualify, the borrower must agree in writing to make nine monthly payments, make each payment within 20 days of the due date, and make all nine payments during a period of 10 consecutive months. If the monthly payment is too much, the borrower can ask the Department of Education or the guaranty agency to recalculate the payment based on their income. Once the loan is rehabilitated, the default status will be removed and the borrower will regain eligibility for benefits such as deferment, forbearance, a choice of repayment plans, and loan forgiveness. They will also be able to receive additional federal student aid. The credit bureaus will be told to remove the record of the default from the borrower's credit history, but the late payments made before the default will remain.

CONTINUED ON BACK

PRODUCE IN SEASON FOR NOVEMBER:

- 1.) PUMPKINS
- 2.) WINTER SQUASH
- 3.) SWEET POTATOES
- 4.) POMEGRANATES
- 5.) MUSHROOMS
- 6.) CRANBERRIES
- 7.) ORANGES
- 8.) TANGERINES
- 9.) PEARS
- 10.) BROCCOLI



CONTINUED FROM INSIDE:

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Loan consolidation will also pull the loans out of default, and it will only take two to three months, so it's a good option for anyone returning to school within a year. If you consolidate out of default, you can drop into an income-based plan, keeping your payment low while you organize your finances.

GIVE US A CALL!

Studies show that student loan debt is preventing borrowers from staying on track with many major life events, including buying a home, getting married and having children. Many borrowers have to find jobs outside of their fields of study and work multiple jobs to keep up with their student loan payments, not to mention their other bills. There are many more ways to manage student loan debt that we aren't able to address in this article.

If you or anyone you know could benefit from student loan counseling, please call (888) 661- 7910 to set up an appointment today. Our counselors are ready to review all of your options with you, allowing you to make the best choice to suit your needs.

BLACK FRIDAY

Black Friday is the day after Thanksgiving in the United States when consumers typically start buying holi-

Is there someone in your life struggling with debt?

Be sure to tell them that a simple, safe solution is available. Please refer your



1-800-CAMBRIDGE
www.CambridgeCredit.org

Cambridge now offers

Student Loan Counseling



Call (888) 661-7910

Talk to a Student Loan Counselor about options that may be available to help with your federal student loans.

Not available in all states.

gifts. In the late 2000s, major retailers began opening for shoppers as early as 4:00 am, and in 2011 many of those same retailers began opening at midnight, allowing Thanksgiving to seamlessly transition into holiday spending. In 2014, major retailers opened at 5:00 pm and 6:00 pm on Thanksgiving evening, leaving consumers wondering when Thanksgiving ended and Black Friday began. Despite the cold weather in many states, shoppers famously camp outside of stores offering promising sales that supposedly cannot be found at any other time of the year. Many of us may have even read about outbreaks of violence as patrons fight for limited products, or seen shoppers being trampled underfoot as crowds fight through bottlenecks to be first into the store as the doors open.



CYB3R MOND4Y

Not everyone wants to participate in the chaos of Black Friday shopping. Cyber Monday is the term created by marketers to encourage people to shop online the Monday following Black Friday. The term is relatively new, having only been coined in 2005. Many smaller retailers thrive on Cyber Monday, as it is easier to compete with the larger format stores for online sales. Countries all over the world participate in Cyber Monday including, but not limited to, Chile, Japan, Germany, Iran and New Zealand. When deciding when to spend your money, it's important to notice that Black Friday deals generally offer better sales on technology, and Cyber Monday offers better sales in fashion retail. Check the shipping costs to make sure that you're really getting a deal. If the price is low, but the cost of the shipping makes it more expensive than buying in-store you might want to reconsider. Make sure to plan ahead to get the best deals and no matter the deal- stay within your budget!